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SUBJECT: SERBIA: DIFFICULT FALL APPROACHING AS LABOR PROTESTS GROW

REF: BELGRADE 433

#### Summary

1. (SBU) The worsening economic situation in Serbia has resulted in a growing number of labor protests in which workers are resorting to more radical tactics in an effort to have their claims addressed by the government. At the heart of these protests are workers frustrated with failed privatizations of state firms, corrupt and ineffective performance of trade unions, and the government's lack of a coherent and effective response to the economic crisis. Despite officials' public optimism, labor strikes look set to increase this fall as the economy continues to deteriorate. End Summary.

#### Growing Discontent

2. (U) Serbia has experienced an upswing in labor unrest and strikes over the past several months as the economy has worsened. Official figures from the Republic Statistical Office report that unemployment rose from 14% in April 2008 to 16.4% in April 2009. Estimates based on media reports from late June suggest that approximately 20,000-30,000 workers were on strike throughout Serbia. The Labor Ministry confirmed that workers from 39 privatized companies were on strike, protesting unpaid wages and other unmet worker demands.

3. (SBU) Some of these strikes have adopted increasingly extreme tactics in order to attract attention to their cause. The first of these protests began in Kragujevac on April 22 in which twelve workers of the Partizan Leather Company held an 18-day hunger strike. The second occurred in Novi Pazar in late April when a worker of the Raska Textile Company cut off and ate the tip of his own finger in protest of unpaid wages and benefits (reftel). The third and most recent protest began June 22-23 and occurred again July 8. Workers from the Zastava Elektro factory in Kragujevac and the GIK First of May construction company in Lapovo laid down on railway tracks blocking routes for a total of three days between the cities of Belgrade and Nis and international connections to Bulgaria and Turkey. The protesters demanded wages for the last eight months and that the factories resume production which had ceased since privatization. The temporary stoppage in railway traffic worsened the financial losses that the state-owned Serbian Railway company was already experiencing.

#### Privatizations Gone Bad

4. (SBU) Many protesting workers are responding to failed privatizations of state-owned firms. Labor Ministry Assistant

Minister Radmila Bukumiric-Katic told us on July 20 that the government had cancelled 450 of 2,500 privatizations because the new owners did not fulfill contractual obligations. Bukumiric-Katic said that many of the new firms' owners had never intended to continue production at the facilities and instead were hoping to liquidate the companies and fire their employees. However, Bukumiric-Katic said even privatizations made in good faith failed due to the new owners' inability to pay wages, pensions, insurance, and promised investments as the economic crisis deepened. In a July 17 meeting, Nezavisnost trade union President Branislav Canak alleged that the Privatization Agency had failed to financially vet new owners to make sure they were capable of maintaining the businesses' operations. He said that the government had not cared who bought the companies as long as the sale pumped immediate funds into the government budget.

#### Trade Unions Not Helping Workers

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15. (SBU) The increasingly disruptive protests also reflect the decreasing influence and credibility of Serbian trade unions. With little faith in trade unions' ability to effect change, desperate workers have opted to organize themselves and deal directly with employers and the government. On July 13, Jovan Protic, Serbia's Coordinator for the International Labor Office (ILO), told us trade unions had not done their job to hold companies responsible for unfulfilled contractual agreements and had not promoted workers' interests. Protic said that even when privatizations were successful and new owners fulfilled contracts and restructured firms, unions failed to organize and advise workers on how to invest their severance pay or to obtain new training. Protic accused the unions of being racked with corruption and consumed with the self-interested priorities of their bloated bureaucracies.

16. (SBU) Despite criticism from the ILO, government, and even other unions, Serbia's largest union, Confederation of Autonomous Trade Unions of Serbia (CATUS) refused to admit any responsibility for the current labor unrest. CATUS President Ljubislav Orbovic told us on June 30 that CATUS found it increasingly hard to control protests despite its best efforts to maintain communication with the government, assist in negotiations, and file lawsuits on workers' behalf. He attributed the increasing difficulty to the growing number of strikes, and not to the unions' loss of credibility among workers. In late June, Orbovic announced his organization's support for anyone who was compelled to strike.

#### Government's Response Could Be Too Little Too Late

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17. (SBU) The government has been slow to respond to labor disputes, fueling further protests. While officials publicly express optimism that the situation will not worsen this autumn, some, including Bukumiric-Katic, are certain the situation will deteriorate because, "people are fed up and poor, especially in Southern Serbia." Only recently Labor and Social Policy Minister Rasim Ljajic drafted a comprehensive government plan designed to prevent the further radicalization of protests and to help the most vulnerable populations affected by the economic crisis. Although it has not been officially approved, the government has started implementing some measures from the plan. On July 23 the government approved the establishment of a working group to deal with labor problems; however, the group has not yet met. The following week the government approved a one time lump sum payment of \$76 to help those employees most at risk who have not been paid and are the sole providers for their families.

#### Calls for Increased Police Action

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18. (SBU) In addition, the plan calls for police to take measures to ensure public peace and order. According to the proposal, the police would allow workers to strike only in places prescribed by law, with consideration for the free flow of public transport, as well as the protection of people and property. Note: By law, public demonstrations require police notification, and the police may refuse permission for events if public safety would be threatened.

End Note.

#### International Firms Feeling the Pain

19. (SBU) International and domestic companies have been forced to cut jobs in order to adapt to market conditions. U.S. Steel recently cut 206 jobs in Serbia; while British American Tobacco (BAT) cut 166 and Philip Morris cut 330 positions. In July the parliament approved changes to the current labor law that would enable employers to send employees on limitless forced or paid vacation instead of the current 45-day limit during tough economic times. Bukumiric-Katic told us that many foreign companies asked for this measure in order to retain skilled workers through the crisis. Note: U.S. Steel was a leading proponent of liberalizing the leave provisions. End Note. On the other hand, Canak told us that this practice was the government's way to ensure that angry workers stayed home and out of the streets where they might organize massive protests.

#### COMMENT

10. (SBU) Serbia will likely face increased protests in September when people return from vacation, the weather cools, and the effects of the economic crisis cut even deeper. Since union advocacy and conventional strikes have failed to produce results, workers will continue to find more dramatic means of voicing their demands. The degree to which the protests and their extreme tactics will increase will depend on the government's willingness and ability to implement actions to assuage the protesters and to mitigate unemployment. This will be difficult to accomplish without further adding to the growing public deficit. Continuing labor unrest in Serbia would further jeopardize an already tenuous coalition government and could deter future foreign investment. End Comment.  
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